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Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS, INC., et al.,

Petitioners,

v.

GROKSTER, LTD., et al.,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF OF *AMICI CURIAE* SIXTY INTELLECTUAL PROPERTY AND TECHNOLOGY LAW PROFESSORS AND THE UNITED STATES PUBLIC POLICY COMMITTEE OF THE ASSOCIATION FOR COMPUTING MACHINERY IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI CURIAE*

Individual *amici* are full-time legal academics who teach and write about intellectual property and technology law, who respect this law and teach students to respect it, who believe that well-balanced intellectual property rules promote the public good, and who strive to assist courts and policymakers in adapting intellectual property law to the challenges of technological advances. *Amicus* U.S. Public Policy Committee of the Association for Computing Machinery ("USACM") is the public policy committee of the world's oldest and largest international scientific and educational organization which comprises 78,000 computing professionals and is dedicated to advancing the arts, sciences, and applications of information technology. USACM educates U.S. government organizations, the computing community, and the American public on matters of U.S. public policy relating to information technology. We submit this brief *amicus curiae*[1] out of a firm conviction that the secondary liability standards for which Petitioners are arguing in this case have no grounding in the copyright statute, and would have profoundly disruptive and destabilizing consequences in the copyright case law and in a wide array of industry sectors – thereby undermining, rather than promoting, the constitutional purposes of intellectual property law: "[t]o promote the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8. Our only interest in this case is in the sound evolution of intellectual property law and policy.

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[1] The parties' letters of consent to the filing of this brief have been lodged with the Clerk. Pursuant to Rule 37.6 of the Rules of this Court, *amici curiae* state that no counsel for a party has written this brief in whole or in part and that no person or entity, other than *amici*, their members, or their counsel, has made a monetary contribution to the preparation or submission of this brief. Students of the Samuelson Law, Technology & Public Policy Clinic at the University of California at Berkeley, Boalt Hall (School of Law) (Brian W. Carver, Marci Meingast, Aaron Perzanowski, and Bethelwel Wilson) helped to prepare this brief under the supervision of Jack I. Lerner and Deirdre K. Mulligan.

SUMMARY OF THE ARGUMENT

This case is fundamentally about technology policy, not about file sharing or copyright infringement. Each of the alternative secondary liability standards for which Petitioners and supporting *amici* argue would dramatically change the balance of power between the entertainment industry and the technology industry. It would do so despite the absence of a statutory basis in copyright law for this change and would disrupt settled expectations in the information technology industry.

While the Court in *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984), could have rejected Universal's claim because copyright law lacks a statutory provision imposing liability on technology developers for the infringing acts of their users, it decided to seek guidance in the closely analogous provisions codified in patent law. The safe harbor rule in *Sony* for technologies with substantial non-infringing uses means that in order for a developer to avoid secondary liability, the technology at issue must already have, or there exists a reasonable possibility that it will have, non-infringing uses, and as in patent law, such uses should be deemed insubstantial if they are far-fetched, illusory, impractical, or merely experimental. This rule strikes a balance between the interests of rights holders in legal enforcement of statutorily granted exclusive rights, the interests of developers of multiple-use technologies, and the interests of the public in access to technologies with non-infringing uses. For more than twenty years, both the technology and entertainment industries have experienced unprecedented technological innovation and economic prosperity under the fundamental framework created by the *Sony* rule. The alternative tests for secondary liability proposed by Petitioners and various *amici* would upset settled expectations and mire the courts in subjective review of new technologies – a recipe for instability and confusion that would severely impair innovation and technological development.

Indeed, the *Sony* rule, which is amenable to summary judgment, has prevented the very confusion and instability

in copyright that, in the patent context, led to Congress's enactment of the staple article of commerce rule. Prior to the enactment of 35 U.S.C. § 271, secondary liability in patent law was decided on a case-by-case basis, and various courts imposed differing liability standards, creating instability and uncertainty in patent law. Section 271 was added to the patent statute to clarify and stabilize secondary liability rules, and it has been largely successful in doing so – just as *Sony* has been in the copyright context.

Because any substantial revision of the *Sony* safe harbor for technologies with substantial non-infringing uses will disrupt settled expectations for so many stakeholders besides the parties to this case, we respectfully suggest that the Court is not the proper forum for such a wholesale change of the law. As the Court has recognized many times, only Congress has the institutional competence to accommodate fully the various competing interests that are inevitably implicated by new technologies. Peer-to-peer technology already has yielded many unique non-infringing uses and is a generic infrastructure enabling many other future uses. When Congress has been concerned about disruptive technologies such as this, it has demonstrated the will to regulate while carefully preserving *Sony* and signaling its support for *Sony*; recent activity in Congress demonstrates that Congress is currently deeply engaged in doing just that with respect to peer-to-peer technology.

For these reasons, *amici* respectfully urge the Court to affirm the judgment of the Court of Appeals.

ARGUMENT

I. The Current Dispute Is One Part Of A Much Larger Phenomenon As Copyright Adjusts To Digital Technologies.

Digital technologies have posed numerous challenges for courts, legislatures, policymakers, various industries and institutions, parents, children, and the public at large. The internet, in particular, has made possible myriad new social benefits – from e-government initiatives to new

businesses and business models to virtual communities and social networks to enhanced democratic discourse. The internet has, however, been no more immune from malefactors than the physical world, including those who engage in denial of service attacks, online stalking, phishing and identity theft, dissemination of computer viruses and worms, child pornography, and of course, copyright infringement. The internet has greatly lowered the barriers to entry to a global communications network for the creation and dissemination of digital information.

Peer-to-peer file sharing technology ("P2P") is one of these new dissemination tools. Both authorized and unauthorized peer-to-peer file sharing has become easy to do and remarkably common, even after some successful lawsuits against file sharing technology developers and individual file sharers. No matter what the Court rules in this case, unauthorized peer-to-peer sharing of copyrighted works is likely to continue,[2] much as many of us might wish otherwise.

With this sobering thought in mind, we respectfully suggest that this case is fundamentally about technology policy, not about file sharing or copyright infringement. Leading associations of the information technology industry, the consumer electronics industry, the internet industry, the telecommunications industry, and the venture capital community have submitted briefs *amicus curiae* in this case not because they condone copyright infringement, unauthorized file sharing, or the business practices of Grokster and Streamcast. These industry associations see clearly, as we do, the risk that the Court will be so deeply troubled by the volume of copyrighted works being shared without authorization via peer-to-peer networks that it will abandon the *Sony* safe harbor for technologies with substantial non-infringing uses in favor of a primary

[2] *See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1163 (9th Cir. 2004); Peter Biddle, et al., *The Darknet and the Future of Content Distribution in Proceedings Of ACM Workshop On Digital Rights Management* (2002).

use or complex balancing test for judging secondary liability of technology developers.

Virtually all of the alternative tests that Petitioners ("MGM") and various *amici* propose[3] would radically alter the balance of power between the entertainment industry and the technology (and associated) industries in a manner that would have serious negative consequences for investments in innovation, for competition, for the public, and perhaps even for the entertainment industry itself.[4]

[3] Some *amici* urge the Court to consider Grokster's liability as an active inducer of copyright infringement, even though no claim for active inducement was made below and it is not properly at issue in this appeal. *See, e.g.*, Br. of *Amici Curiae* Digital Media Ass'n et al. Should the Court decide, however, to recognize a new strand of secondary liability in copyright law, *amici* recommend that the Court adopt the stringent requirements that patent law requires to establish active inducement, namely, overt acts of inducement, such as advertising that encourages infringement, and a specific intent to induce others to infringe. We also observe that Senators Hatch and Leahy perceive copyright law not to have an inducement liability rule, an omission they sought to change last term by introducing a controversial bill to create such a new secondary liability rule. *See* Inducing Infringement of Copyrights Act of 2004, S. 2560, 108th Cong. (2004); 150 Cong. Rec. S7190-91 (daily ed. June 22, 2004) (statement of Sen. Hatch).

[4] Contrary to the assertions of *amici* International Rights Owners ("IRO"), *see* Br. of *Amici Curiae* Int'l Rights Owners, the *Sony* rule comports fully with the United States's international treaty obligations. Neither the Berne Convention for the Protection of Literary and Artistic Works, the Agreement on Trade-Related Aspects of Intellectual Property Rights, nor the WIPO Copyright Treaty contains any provision requiring signatories to adopt secondary liability rules in their copyright laws. Nor, as the IRO admit, is there any consensus among signatory countries that secondary liability should apply to suppliers of multiple-use goods and technologies used to infringe. Indeed, the laws of the United Kingdom, Germany, and the Netherlands, among other countries, are consistent with the *Sony* rule: they do not impose secondary liability on suppliers of multiple-use goods absent the supplier's actual knowledge of a specific infringement at the time when the supplier could take action to prevent it. *See* 1 K. Garnett et al., *Copinger & Skone James on Copyright* 469-72, 486 (14th ed. 1999); Paul Goldstein, *International Copyright* 272 (2001); *Kazaa v. Buma/Stemra*, No. 1370/01 (Amsterdam Ct. of Appeal, 28 Mar. 2002); *Techno Design*

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The entertainment industry may need a carefully targeted remedy against certain "bad actors," but that is not what it is seeking from the Court.[5]

II. The Staple Article Of Commerce Limitation On Secondary Liability Is As Sound For Copyright As For Patent Law.

Virtually everyone professes to agree that the *Sony* decision is sound law, even if there is considerable disagreement about how the decision should be interpreted. Yet by arguing for alternative tests, Petitioners and supporting *amici* are implicitly asking the Court to repudiate the Court's decision in *Sony* to borrow the staple article of commerce rule from patent law. Because we regard copyright and patent law as congruent and complementary and because Congress had carefully crafted the staple article of commerce rule for patent law, we regard the Court's borrowing of this concept in *Sony* as sound, indeed as prescient.

That copyright law today is as much about promoting incentives to invest in the creation and dissemination of technological works as in music and films is evident from the Congressional decision to extend copyright protection to computer programs.[6] The computer software industry

"Internet Programming" BV v. Stichting Bescherming Rechten Entertainment Industrie Nederland, Brein, No. 85489/HA ZA 02-992.

[5] *See UMG Recordings, Inc. v. Bertelsmann AG*, 222 F.R.D. 408, 415 (N.D. Cal. 2004) (denying motion to dismiss contributory and vicarious infringement claim against funder of Napster); *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*, 2004 U.S. Dist. LEXIS 15895, *12, *15 (N.D. Cal. 2004) (dismissing with leave to amend contributory and vicarious infringement claim against credit card company that processed payments to infringing website).

[6] *See* Nat'l Comm'n on New Technological Uses of Copyrighted Works (CONTU), *Final Report* 1 (July 31, 1978); Gen. Revision of Copyright Law, Pub. L. No. 94-553, 90 Stat. 2541 (1976). Indeed, Grokster and Streamcast's software is as copyrightable as MGM's movies. *See* 17 U.S.C. § 102(a) (2000).

contributes even more significantly to the U.S. gross domestic product than the entertainment industry; it is also a major export industry.[7] Computer programs, like digital entertainment products, are highly vulnerable to copyright infringement because digital works can be so cheaply and easily copied and distributed in networked environments. Even though many commercial software programs, along with MGM's movies, are widely available via peer-to-peer networks, the commercial software industry urges the Court, as *amici* do, to preserve the *Sony* safe harbor for technologies with substantial non-infringing uses and affirm the soundness of the Court's decision to borrow the staple article of commerce doctrine from patent law.[8]

A. The Reasons Given By The Court In *Sony* For Borrowing The Staple Article Of Commerce Rule From Patent Law Remain Sound Today.

As the Court in *Sony* observed, "[t]he Copyright Act does not expressly render anyone liable for infringement committed by another."[9] 464 U.S. at 434. More than

[7] *See* Stephen E. Siwek, International Intellectual Property Alliance, *Copyright Industries in the U.S. Economy* 10 (2004), *at* http://www.iipa.com/pdf/2004_SIWEK_FULL.pdf.

[8] *See, e.g.*, Br. of *Amici Curiae* Digital Media Ass'n et al. at 7; Br. of *Amici Curiae* Bus. Software Alliance et al. at 6.

[9] Senators Hatch and Leahy assert that the Copyright Act does contain a statutory basis for secondary liability because § 106 grants exclusive rights not only to do, but "to authorize" certain activities, such as reproducing a work in copies. Br. of *Amici Curiae* United States Sens. Patrick Leahy and Orrin G. Hatch at 7. We agree that this language provides a statutory basis for imposing secondary liability on some actors, such as the producer of an infringing film who wrongfully authorizes its distribution. *See Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911). This phrase, however, is an exceptionally thin reed on which to premise secondary liability for a technology provider. Neither Sony nor Grokster can meaningfully be said to have "authorize[d]" the infringing acts of others, even if their technologies facilitated infringement. Thus, there is no statutory basis for imposing secondary liability on these actors for providing infringement-enabling technologies.

twenty years later, this is still true. "[I]f [secondary] liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material." *Id.* at 439. The Court found "no precedent in the law of copyright for the imposition of vicarious liability on such a theory." *Id.*

The Court recognized that "the closest analogy" to the problem then before it was found in patent law. *Id.* Patent law "expressly brands anyone who 'actively induces infringement of a patent' as an infringer, 35 U.S.C. § 271(b), and further imposes liability on certain individuals labeled as 'contributory' infringers, § 271(c)." *Id.* at 435. Section 271's contributory infringement rule, however, "is confined to the knowing sale of a component especially made for use in connection with a particular patent," *id.* at 440, and "expressly provides that the sale of a 'staple article or commodity of commerce suitable for substantial noninfringing use' is not contributory infringement," *id.* (citing 35 U.S.C. § 271(c)). This is true even if the seller of that article knows that its customers will, in fact, infringe.[10]

"When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent," the Court observed, "the public interest in access to that article of commerce is necessarily implicated." *Id.* at 440. A rule forbidding the sale of staple items would negatively affect those who would purchase the technology for non-infringing purposes as well as developers of similar and complementary technologies or services, and in the copyright context, the interests of rights holders who either do not object to or actively encourage copying of their works by users of a multiple-use technology. *Id.* at 456.

[10] *See, e.g.*, 5 Donald S. Chisum, *Chisum on Patents* § 17.04; *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365 (Fed. Cir. 2003) (no secondary patent liability "even when the defendant has actual knowledge that some users of its product may be infringing the patent").

To hold a technology developer liable for contributory infringement is "normally the functional equivalent of holding that the disputed article is within the [statutory] monopoly." *Id.* at 441. The Court in *Sony* found it "extraordinary to suggest that the Copyright Act confers upon all copyright owners, much less the respondents in this case, the exclusive right to distribute VTRs simply because they may be used to infringe copyrights." *Id.* at n.21. To construe copyright law as Universal urged "would enlarge the scope of [Universal's] statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection." *Id.* at 421.

The Court also invoked the "historic kinship" of patent and copyright law as a reason to borrow the staple article doctrine from patent law. *Id.* at 439.[11] These two laws not only derive from the same constitutional source, *id.* at 429, but have a similar underlying policy:

> The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited monopoly is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

[11] *Sony* was far from the first case in which the Court borrowed patent concepts in copyright cases. *See, e.g., United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 157-78 (1948) (analogizing copyright to patent with respect to tie-ins); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932) (holding that patents and copyrights should receive identical treatment with respect to permissibility of state tax on copyright royalties). *See also Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990) (borrowing patent misuse doctrine in a copyright case); *In re Patient Educ. Media, Inc.*, 210 B.R. 237, 241 n.7 (Bankr. S.D.N.Y. 1997) (bankruptcy court looked to patent law for guidance because of the historic kinship between copyright and patent); *Henry v. A. B. Dick Co.*, 224 U.S. 1, 48-49 (1912) (citing *Kalem*) (early patent secondary liability case borrowing from copyright law).

Id. See also id. at 491 (Blackmun, J., dissenting) ("[M]any of the concerns underlying 'the staple article of commerce' doctrine are present in copyright law as well.").[12]

The need to balance between the rights of creators to enjoy a monopoly over their works and the social concerns that arise when monopolists go too far continues to motivate these parallel bodies of law. In each body of law, the application of the "staple article of commerce" doctrine fairly and adequately polices the border, limiting the ability of the rights holder to deprive society of the good that comes from the existence of other enterprises that frustrate the exercise of the monopoly but support substantial non-infringing uses.

B. The *Sony* Safe Harbor Is A Manifestly Reasonable And Balanced Rule.

The *Sony* decision has been widely heralded as the "Magna Carta" of the information technology industry because it is a clear "rule of the road" that establishes limits to contributory liability and creates a defined space within which technology developers can innovate and create.[13] Because far from every technology will satisfy *Sony*'s substantial non-infringing use standard, we believe that this safe harbor fairly balances the interests of the information technology and other copyright industries.

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[12] Courts have also had patent policy in mind when they have limited the scope of protection of functional works unprotected by patent law. *See Baker v. Selden*, 101 U.S. 99 (1880); *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141 (1989); *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832 (Fed. Cir. 1992); *Lotus v. Borland*, 49 F.3d 807 (1st Cir. 1995); *Computer Assocs. Int'l v. Altai, Inc.*, 982 F.2d 693, 721 (2d Cir. 1992); *Sega Enters. v. Accolade, Inc.*, 997 F.2d 1510 (9th Cir. 1992); *Image Tech. Servs. v. Eastman Kodak Co.*, 123 F.3d 1195 (9th Cir. 1998).

[13] *Efforts to Curb Illegal Downloading of Copyrighted Music: Hearing on S. 2560 Before the Sen. Comm. on the Judiciary*, 108th Cong., 2d Sess. 6 (2004) (statement of Kevin McGuinness, Executive Director and General Counsel, Netcoalition).

The *Sony* requirement that a technology have or be capable of substantial non-infringing uses in order for its developer to avoid secondary liability, 464 U.S. at 442, means that a technology must already have, or that there exists a reasonable possibility that it will have, current or future non-infringing uses, and as in patent law, such uses should be deemed insubstantial if they are "far-fetched, illusory, impractical, or merely experimental." 5 Donald S. Chisum, *Chisum on Patents* § 17.03[3] (2004).[14]

The patent case law provides insight into the meaning of the term "substantial." An "occasional aberrant use," for example, falls below the minimum requirement for substantiality. *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391, 428 (S.D.N.Y. 1979).[15] Courts applying *Sony* in copyright cases have construed the "substantial" requirement in a similar way. *See, e.g., A & M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1456 (C.D. Cal. 1996) (determining that while time-loaded cassette tapes were capable of non-infringing uses, those uses were insubstantial). Even Justice Blackmun stated in his dissent in

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[14] We see no reason why the *Sony* safe harbor for technologies with substantial non-infringing uses should be limited to the doctrine of contributory infringement. Other courts have embraced this Court's treatment of secondary liability under the *Sony* rule and have found it equally applicable to both contributory and vicarious liability. *See Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1275 (Fed. Cir. 2004) (describing "*Sony* standard for vicarious infringement liability"); *In re Aimster Copyright Litig.*, 334 F.3d 643, 654 (7th Cir. 2003) (explaining that *Sony* Court "treat[ed] vicarious and contributory infringement interchangeably"). Furthermore, Congress did not distinguish between these forms of secondary liability when creating safe harbors for online service providers. *See* 17 U.S.C. §§ 512(a)-(d) (2000) (creating safe harbors from claims of secondary liability).

[15] *See also Univ. of Cal. v. Hansen*, 54 U.S.P.Q.2d 1473, 1479-80 (E.D. Cal. 1999); *Allergan Sales, Inc. v. Pharmacia & UpJohn, Inc.*, 41 U.S.P.Q.2d 1283, 1288 (S.D. Cal. 1996) (substantial non-infringing uses of foldable lenses found because some physicians used the lenses in unpatented procedures); *Vesture Corp. v. Thermal Solutions Inc.*, 284 F. Supp. 2d 290, 317 (M.D.N.C. 2003); *N. Y. Scaffolding Co. v. Whitney*, 224 F. 452, 461 (8th Cir. 1915) (non-infringing uses that are "futile and impractical" are insufficient).

Sony that contributory liability against a technology provider ought to lie only "if virtually all of the product's use . . . is to infringe." 464 U.S. at 491.

Properly understood, the "capability" requirement also limits the availability of the *Sony* safe harbor.[16] We agree with the Seventh Circuit that implausible or hypothetical potential uses should not satisfy the capability standard. *In re Aimster Copyright Litig.*, 334 F.3d 643, 653 (7th Cir. 2003). Rather, reasonable possibility should be the benchmark for capability. The fabric top for convertibles in *Aro Manufacturing Co. v. Convertible Top Replacement*, 377 U.S. 476 (1964), for example, might have been hypothetically capable of being used by small children as a tent, but it was not suitable for such a use. Hence, it was not "capable" of substantial non-infringing uses within the meaning of the patent statute. The time-loaded cassettes in *A & M Records, Inc. v. Abdallah*, 948 F. Supp. 1449 (C.D. Cal. 1996), may similarly have been hypothetically capable of non-infringing uses, but they were not suitable for such uses, and the court properly rejected the *Sony* safe harbor defense in that case.[17]

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[16] We agree with this Court that future potential uses, as well as existing uses, should be taken into account. *Sony*, 464 U.S. at 442; *see also A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001).

[17] MGM and some supporting *amici* contend that only "commercially significant" non-infringing uses can be considered. Br. for Pet'rs MGM et al. at 30. The commercial significance of non-infringing uses of technology may be one way to qualify for the *Sony* safe harbor, but we do not understand the Court to have intended in its references to this phrase to indicate that no other significance can be considered. In the patent context, there is no such limitation; a technology need only be "suitable for significant non-infringing uses" to qualify for § 271(c) safe harbor. Moreover, the Court certainly regarded "*private, noncommercial* time-shifting" as "commercially significant," *Sony*, 464 U.S. at 442 (emphasis added), on the grounds that a significant number of consumers might wish to obtain the product for its non-infringing uses. Requiring the kind of commercial significance for which MGM and some of its *amici* argue would effectively preclude protection for a growing and important group of non-commercial innovators. *See, e.g.*, Dan Hunter and Gregory Lastowka, *Amateur-to-Amateur*, 46 Wm. & Mary L. Rev. 951 (2004). Such

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Assessing the reasonable capability or suitability of a technology for non-infringing uses is a sound approach in part because uses of technology often change over time, particularly those involving general purpose or multi-purpose technologies. Legal challenges may be brought before users have had a chance to experiment with the technologies and decide on optimal uses. Peer-to-peer technologies, for example, promise wide-ranging benefits, including relieving network congestion and increasing security and fault tolerance, many of which are still in early development.[18] In short, the "capable of substantial noninfringing uses" test provides breathing room for the future.

The *Sony* safe harbor further promotes business certainty and judicial efficiency because of its simplicity, clarity, predictability, and objectivity. It does not require delving into technology developers' states of mind; it does not require extensive evidence or speculation about current and future uses of technologies and in what proportion each use exists or is likely to evolve; and it does not require courts to consider what other kinds of technologies might have been developed instead. *Sony* simply asks courts to determine whether the technology has or is capable of substantial non-infringing uses.

Without such a bright line rule, innovators would be wary of developing transformative new technologies because of uncertainties about potential liability. Under the *Sony* rule, both technology developers and potential funders can readily determine whether such a potentially disruptive technology is capable of substantial non-infringing uses, and invest accordingly. Should a dispute arise, the *Sony* rule lends itself to speedy adjudication by

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a narrow understanding of "substantial" would undermine the capability analysis by binding it to current commercial viability and inevitably frustrate the policies underlying the *Sony* decision. Limiting substantiality to commercial significance, coupled with a future-directed capability inquiry, would place courts in the untenable position of predicting the commercial import of later arising uses.

[18] *See infra* Part III.C.

summary judgment, thereby averting the risk and expense of lengthy trials that would drain innovators' resources and deter investment in innovative technologies.

The *Sony* rule also ensures that no one industry can control the evolution or entry into the market of new technologies. Leaving technology development in the hands of technology developers has often benefited copyright owners as well as the public. As the aftermath of *Sony* demonstrates, limiting secondary liability can spur complementary market building. Not only were Sony and its competitors free to compete and innovate, offering improved products at lower costs, but a large installed base of-VTR's gave rise to the home video market – greatly enriching the motion picture industry.[19]

C. Standards For Secondary Liability Proposed By MGM And Various *Amici* Were Raised And Rejected In *Sony*. If Adopted Now, They Would Destabilize Secondary Liability In Copyright Law As Patent Law Was Unstable Prior To 1952.

Prior to 1952, the U.S. patent statute contained no statutory secondary liability rule. Courts responded on a case-by-case basis to patent owner pleas for imposing liability on some who contributed to others' infringement. Some courts focused on the alleged contributor's knowledge of infringing acts,[20] some on intent to bring about

[19] *See* James Lardner, *Fast Forward* 297-300 (1987).

[20] Prior to the enactment of § 271, judicial inquiry into the defendant's knowledge and intent figured heavily in determinations of contributory patent liability. *See Wallace v. Holmes*, 29 F. Cas. 74 (D. Conn. 1871). As the doctrine of contributory patent infringement developed, the precise levels of knowledge necessary to impute liability became increasingly unclear. As one court asked:

> Is it enough, in a case like that at bar, that the defendant should know the material use to which his studs are to be put, and nothing more? [I]f the defendant in a case like this must know something more than the material use to which his studs

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infringement,[21] some on the relative proportion of infringing and non-infringing uses of a technology,[22] and some on the product's design[23] – among other factors. The rulings from this jurisprudence were confusing in part because courts applied different and sometimes conflicting tests, and in part because courts were sometimes "excessively indulgent" in protecting patent holders against those who might contribute to infringement and sometimes too forgiving towards defendants who supplied their customers with technologies whose only use was for infringement.[24] There was so much uncertainty and instability in the patent case law that witnesses at legislative hearings on patent reform testified that they could not advise their clients adequately on secondary liability claims.[25] After considering the many

> are to be put, is it sufficient that he should know that the use of his studs by his vendee would be a breach of a contract between that vendee and the complainant, without any knowledge of the complainant's patent? . . . Is the defendant liable as contributory infringer if he is merely notified that some one claims a patent, in the infringement of which his acts may aid or participate? Or, in order to become liable, must a defendant have some special reason, such as an adjudication, to suppose the patent valid? . . . Is [he], on being notified that a patent is claimed, bound, at his peril, to ascertain the validity of the patent and the fact of infringement by his vendee?

Tubular Rivet & Stud Co. v. O'Brien, 93 F. 200, 203-04 (D. Mass. 1898).

[21] *See, e.g., Wallace*, 29 F. Cas. at 80. *See also infra* note 35.

[22] Prior to the adoption of § 271 some courts imposed liability by determining how a "device . . . is ordinarily used." *Electro Bleaching Gas Co. v. Paradon Eng'g Co.*, 12 F.2d 511, 513 (2d Cir. 1926).

[23] *Cf. infra* note 36.

[24] Giles S. Rich, *Infringement Under Section 271 of the Patent Act*, 51 Geo. Wash. L. Rev. 521, 522 (1953). Rich was a member of the drafting committee for the 1952 Act who advocated a statute providing coherent secondary liability rules.

[25] *See, e.g., A Bill to Revise and Codify the Laws Relating to Patents and the Patent Office, and to Enact into Law Title 35 of the United States Code Entitled "Patents." Hearing on H.R. 3760 before Subcomm. No. 3 of the Comm. on the Judiciary H.R.*, 82d Cong., 1st Sess. 159 (1951) (statement of Giles Rich, patent attorney) ("[T]he opinion of all of us in the patent bar is that this is a situation in which the decisions of

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problems with the patent secondary liability case law, many in Congress concluded that "the 162 year experiment of getting along without a statute covering this matter ha[d] not worked out very well."[26] Section 271 was added to the patent statute to clarify and stabilize secondary liability rules,[27] and it has been substantially successful in doing so.[28]

Petitioners and various *amici* ask this Court to supplant the *Sony* safe harbor with alternative tests that turn upon predictions about the primary uses consumers will make of products, inquiries into developers' intent, complex cost-benefit analyses of alternative designs, and multi-factor balancing tests that are recipes for confusion and instability in the law, opening the floodgates of litigation and chilling investment in innovative technologies. Several of these tests were explicitly considered and rejected in *Sony*, and all would cast secondary copyright liability into the murky depths of uncertain and unpredictable ad hoc analysis from which Congress salvaged the patent law in 1952 and which this court wisely avoided in *Sony*.[29] Under the varied and fact-intensive standards

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the court have left us so much at sea that only Congress can solve the problem."); *A Bill to Provide for the Protection of Patent Rights Where Enforcement Against Direct Infringers is Impracticable, to Define "Contributory Infringement," and for other Purposes, Hearing on H.R. 3866 Before Subcomm. No. 4 of the Comm. on the Judiciary H.R.*, 81st Cong., 1st Sess. 85 (1949) (statement of Leslie Young, attorney, Fish, Richardson & Neave).

[26] Rich, *supra*, at 522.

[27] Revision of Title 35, United States Code, H.R. Rep. No. 1923, 82d Cong., 2d Sess. (1952).

[28] We do not mean to suggest that § 271 has solved all secondary liability problems in patent law. The Federal Circuit is still issuing some conflicting opinions on the intent requirement in active inducement. *See Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377 (Fed. Cir. 2005) (recognizing "lack of clarity" in level of intent required for active inducement).

[29] Various *amici* also urge this Court to craft new secondary liability standards derived from tort law principles. *See, e.g.*, Br. of *Amici Curiae* State Att'ys Gen. at 11; Br. of *Amici Curiae* Nat'l Acad. of

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proposed by Petitioners and certain *amici*, copyright holders could effectively approve or deny new technologies that are disruptive to, or merely competitive with, their business models, and perhaps even technologies that have only a few infringing uses. The adoption of any of the proposed standards "would defeat the reliance interest of those corporations that have structured their activities . . . based upon the well-established rules." *Allied Signal, Inc. v. Dir., Div. of Taxation*, 504 U.S. 768, 785 (1992). As the Court has explained, "settled expectations should not be lightly disrupted. . . . In a free, dynamic society, creativity in both commercial and artistic endeavors is fostered by a rule of law that gives people confidence about the legal consequences of their actions." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265-66 (1994). Giving Petitioners and other rights holders control over technology companies that create and sell multiple-use technologies would be unprecedented and highly disruptive.

1. The Proposed Primary Purpose Standard Would Expose Technology Developers To Unbounded Liability For Acts They Can Neither Predict Nor Control.

Petitioners propose that technologies be deemed illegal if their "primary use" is to infringe copyrights. Br. for Pet'rs MGM et al. at 30. Petitioners argue that *Sony* itself was a "primary use" case, that is, that the Court

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Recording Arts & Sciences et al. at 20. These proposed standards ignore critical differences between the two doctrines. Product liability law requires manufacturers to account for physical harm, not mere economic harm such as is at issue here, *see* 24 Dan B. Dobbs, *The Law of Torts* § 352 at 972, and the harms that tort law protects against are likely to befall consumers and their invitees, not third parties such as Petitioners. Moreover, tort law does not impose liability where general purpose products are not defectively designed, even when such products are manifestly dangerous. *See generally* Restatement (Third) of Torts § 2, Cmt. d Part IV.D. *See also Riordan v. Int'l Armament Corp.*, 132 Ill. App. 3d 642, 649 (Ill. Ct. App. 1985) (no liability for making or selling guns even though they are widely used to cause bodily harm).

ruled for Sony because the primary use of the VTR was to make fair use copies of TV programs for time-shifting purposes. *Id.* at 15. This is neither what the Court said nor what it meant. Indeed, the Court explicitly rejected the suggestion that courts weigh whether "infringing uses outweigh noninfringing uses" or try to predict "the future percentage of legal versus illegal home-use recording." *Sony*, 464 U.S. at 444 (internal citations omitted).

The Court's reasons for rejecting the primary use standard remain sound. First, the primary use of a technology may well shift over time, creating an irresolvable tension between *Sony*'s call for consideration of a device's capabilities and the primary use test's concern with present levels of infringement. The essence of the *Sony* rule is the majority's insight that holding up the development of a technology, and its potential non-infringing uses, based on current usage, would "block the wheels of commerce." *Id.* at 441 (quoting *Henry v. A. B. Dick Co.*, 224 U.S. 1, 48 (1912)).

Second, the *Sony* rule protects developers from liability based on consumer uses of the technology. In contrast, the proposed primary use test would unfairly hold a developer liable for indirect infringement not because of any actions taken by the developer, but rather on the basis of end users' decisions to use a device primarily for illegal purposes.[30]

A primary use standard also raises questions of fact likely to render summary judgment impossible.[31] Primary

[30] *See* Daren Fonda, *Downloading Hollywood*, Time Magazine, Feb. 14, 2005 at 43 (describing BitTorrent, a P2P file sharing tool that was designed to ease the distribution of open source Linux files but is widely used for unauthorized distribution of copyrighted works).

[31] If a primary purpose test had been adopted in *Sony* and additional fact finding had been conducted, it is not at all clear that Sony would have prevailed. Universal contended that "authorized uses of the VTR constituted no more that 9% of uses." Br. for Resps. Universal City Studios and Walt Disney Prods. at 48, *Sony*, 464 U.S. 417 (1984) (No. 81-1687). Survey evidence showed that "the average household harbored 31.5 cassettes," well more than needed for time-shifting. Twenty-three percent of people surveyed reported that they used their Betamaxes

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use tests rely on contentious and difficult-to-obtain factual evidence of infringing versus non-infringing uses, a gauge of liability largely outside the control of the technology developer.[32] Under such a standard, developers would be provided little guidance as to potential liability and have few levers with which to control it.

2. Proposed Standards That Examine The Intent Of Technology Developers And Compare Benefits Of Alternative Technology Designs, And Proposed Multi-Factor Balancing Tests, Will Inappropriately Vest Technology Design Decisions In The Courts.

MGM and several *amici* also ask this Court to adopt alternative standards that would inevitably involve judges and juries in the intricacies of technical design. The proposed new theories of liability range from intentional design of the technology to enable infringement, to the availability of alternative designs that might have mitigated infringement, to an *Aimster*-like "disproportionately costly" test for judging whether a technology developer has done enough to avert or minimize infringing uses of its multiple-use, general purpose products. None of these alternative tests finds support in *Sony* and all would create considerable uncertainty that would stifle innovation, especially since courts are not well-suited to second-guess technology design decisions.

Sony intentionally designed the Betamax to allow consumers to make unauthorized copies of broadcast

[more for] librarying than for time-shifting; fifty-four percent answered the opposite; twenty percent said it was an equal proposition"; another survey found that 75 percent of households were making permanent libraries of off-the-air programs. Lardner, *supra*, at 116, 230.

[32] Other *amici* point out there is little in the factual record on the nature of the uses of copyrighted works by users of P2P networks. To determine the extent to which current uses are infringing, permitted under the fair use doctrine, or otherwise authorized would require extensive judicial fact finding. *See* Br. of *Amici Curiae* Glynn Lunney et al. at 22-23.

television programming, *Sony*, 464 U.S. at 490, and Universal sought to prevent its distribution precisely because of the technology's design,[33] *see id.* at 420. Despite alternate design features for video players, including removing the tuner, *Sony*, 464 U.S. at 493 n.42, or including a feature disallowing the copying of specified broadcast programming, *id.* at 494, the Court evaluated the technology as presented.[34]

Like the primary purpose standard, an intentional or alternative design standard is incompatible with summary judgment. Determining the subjective states of mind of a technology's developers and investors will be difficult, time-consuming, and ultimately inconclusive. While on occasion direct evidence of a developer's intended use of a device may be available, discerning intent will often prove a matter of inference from other available information.[35] Similarly, evaluating alternative designs will require judges and juries to answer complicated questions about the feasibility of technology design options and related business models, and resolve impenetrable questions of the potential economic consequences of technologies not

[33] Universal argued that the Court should "direct [Sony] to devise a technological means to prevent VTR copying only of programs owned by respondents and others who object to such copying." Br. for Resps. Universal City Studios and Walt Disney Prods. at 53, *Sony, supra*. While such alternative designs may have been feasible, the Court wisely avoided interfering in technology design decisions.

[34] This analysis is supported by patent case law as well. *See Universal Elecs. v. Zenith Elecs. Corp.*, 846 F. Supp. 641, 651 (N.D. Ill. 1994) ("[T]he relevant inquiry is whether there are substantial non-infringing uses for a device, not whether a device is designed so as to allow infringement of a patented process.").

[35] In patent law before § 271 was enacted, intent to infringe was at times inferred if the defendant's product was "utterly useless" for non-infringing purposes, *Wallace*, 29 F. Cas. at 79, *see also Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 723-24 (6th Cir. 1897). In other instances courts considered whether a product was "adapted to the infringing use," *Rupp & Wittgenfeld v. Elliot*, 131 F. 730, 732 (6th Cir. 1904), or if the product's "most conspicuous use" was infringing. *Henry v. A. B. Dick Co.*, 224 U.S. 1, 49 (1912).

chosen. It would require that courts consider whether developers could have developed or anticipated development by others of technologies that could be integrated into their own offerings to eliminate or reduce infringing uses. Courts would be required to determine whether such technologies were ready for commercial implementation, were cost-effective to implement, and whether any adverse technical effects they might impose on the product outweighed their benefits. Scholars and other commentators have noted the undesirable effect on technical innovation wrought by entrusting courts to oversee product design.[36] We question whether it is prudent to require the federal judiciary to undertake this task on a routine basis.

These design standards invite unprecedented copyright holder control over technology because they allow copyright owners simply to focus on the infringing capabilities of a technology and claim that, if the technology is being used for that purpose, it must have been designed for it – no matter how strong the developer's denial. Copyright holders could also single out specific features as objectionable, claiming that their inclusion is evidence of contributory infringement. Copyright owners will always be able to allege very high losses from infringement and low costs of technology fixes while technology developers will be forced to prove, after exhaustive discovery and a

[36] *See United States v. Microsoft Corp.*, 147 F.3d 935, 948 (D.C. Cir. 1998) ("Antitrust scholars have long recognized the undesirability of having courts oversee product design, and any dampening of technological innovation would be at cross purposes with antitrust law."); Richard A. Posner, *Antitrust in the New Economy*, 68 Antitrust L. J. 925, 936-40 (2001) (discussing factors that limit judicial competence in new technology antitrust cases, including "unusually difficult questions of fact," "technical complexity," difficulty finding neutral experts, "daunting challenge to the fact-finding capacity of the judiciary," "imponderable[]" economic questions, and poor fit between judicial process and technological design process); Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law*, ¶ 775c, at 233 (1996) ("Because courts and juries are generally incapable of addressing the technical merits or anticompetitive effects of innovation, they quickly make the relevant question turn on intent. We believe this is the worst way to handle claims that innovation violates the antitrust laws.").

lengthy trial, the infeasibility of or significant performance problems with proposed fixes. Moreover, even in the absence of real damages, courts are required to impose statutory damages on infringers, so that even harmless effects may give rise to substantial liability.

Abandoning the clear, predictable *Sony* standard for the proposed design standard is inconsistent with the copyright statute and with Congress's repeated judgment to limit copyright holders' control over the design of technologies with substantial non-infringing uses.[37] Design-based tests would involve the courts in the minutiae of technology design, the outcome of which would be a moving target of rights holder-driven technology mandates. Neither the federal courts nor copyright owners should be in charge of industrial design policy for the United States.

The difficulties created by the uncertain and unpredictable nature of these proposed standards are compounded when they are formulated as components of unwieldy multi-factor tests that incorporate such factors as the cost of pursuing direct infringers, the availability of self-help mechanisms,[38] the level of knowledge, and the cost of discovering and discouraging infringement.[39] Such tests would erect a labyrinth of indirect liability likely to confound even the most savvy and cautious technology developers and certain to chill investment.

Rather than introducing new secondary liability factors, creating ever-more complicated structures of liability, and straying farther from the present statutory scheme, this Court should reaffirm the objective, pragmatic standard it announced in *Sony* and avoid "disrupt[ing] settled expectations in an area of the law in

[37] *See infra* Part III.B-C.

[38] *See* Brief of *Amici Curiae* Peter S. Menell et al. at 3, 24-29 (proposing thirteen-factor balancing test as "a starting point" for assessing secondary liability for technology developers).

[39] *See* Br. of *Amici Curiae* of Kenneth J. Arrow et al. at 14.

which the demands of the national economy require stability." *Allied Signal*, 504 U.S. at 786.

III. Abandoning The *Sony* Safe Harbor For Staple Articles Of Commerce Should Be Done, If At All, By Congress.

The alternative tests for secondary liability for which Petitioners and various *amici* argue are without statutory foundation and would have far-reaching ramifications for many stakeholders apart from the parties to this case, including many firms that have made significant investments in innovative technologies in reliance on the *Sony* safe harbor. Either of these considerations would argue for deference to Congress; considered together, they demand such deference.

As this Court recognized in *Sony*, Congress has the institutional capability to hear from many interested parties, make findings about the need for regulations and likely impacts of statutory proposals, and accommodate the competing interests that are inevitably implicated by new technologies. 464 U.S. at 456. When Congress has been concerned about disruptive technologies in the past, it has demonstrated the will to regulate and has carefully preserved the *Sony* safe harbor as the default secondary liability rule in copyright law.

A. Without Explicit Legislative Guidance, It Is Premature To Abandon *Sony* Or To Revise Copyright Protections At The Expense Of So Many Unrepresented Stakeholders.

When this Court was last faced with expansive copyright secondary liability claims that, if granted, would affect many other stakeholders, the Court chose to defer to Congress because of its "constitutional authority and institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by [] new technology." *Sony*, 464 U.S. at 431. The Court

spoke of the "judiciary's reluctance to expand the protections afforded by copyright law without explicit legislative guidance [as] a recurring theme," citing several cases in which courts rejected expansive copyright claims. *Id.* Without express legislative guidance on secondary liability, the Court in *Sony* cautioned that the judiciary should be wary of "construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests." *Id.* (internal citation omitted). Faced with a different new technology challenge, another court observed: "Obviously there is much to be said on all sides. The choices involve economic, social, and policy factors which are far better sifted by a legislature. The possible intermediate solutions are also of the pragmatic kind legislatures, not courts, can and should fashion." *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1360 (Ct. Cl. 1973)[40] When, as here, federal courts are asked to interpret copyright law expansively, communications and innovation policy are necessarily implicated. "[I]t is incumbent upon courts to be aware that their copyright decision[s] are de facto setting a substantial and growing part of the nation's communications policy . . . [B]ehind authorship concerns lies a cycle of incumbent and challenger technologies that will never end . . . The only question is how painful and costly the transitions will be."[41]

[40] The need for deference is greatest when "the relevant policy considerations do not invariably point in one direction, and there is vehement disagreement over the validity of the assumptions underlying many of them. The very difficulty of these policy considerations, and Congress's superior institutional competence to pursue this debate, suggest that legislative not judicial solutions are preferable." *Turner Broad. Sys. v. F.C.C.*, 520 U.S. 180, 191 (1997) (footnote omitted).

[41] Tim Wu, *On Copyright's Communications Policy*, 103 Mich. L. Rev. 278, 366 (2004).

B. Congress Has Acted In Response to Disruptive Technologies In The Past And It Supports The *Sony* Safe Harbor As A Default Copyright Secondary Liability Rule.

In *Sony*, the Court recognized that "Congress has . . . often examined other innovations in the past." 464 U.S. at 456. In *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908), for example, the Supreme Court rejected claims that unauthorized sound recordings infringed copyright. Shortly thereafter, Congress amended copyright law to give composers the right to control mechanical reproductions of their works, but limited the scope of the right by imposing a compulsory license. *See* 17 U.S.C. § 115 (2000). More recently, the Court refused to extend copyright liability to cable television providers in the absence of an explicit Congressional mandate. *See Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968); *Columbia Broad. Sys., Inc. v. Teleprompter Corp.*, 415 U.S. 394 (1974). Congress saw the need for regulation of the retransmission of copyrighted programming by cable operators and acted, once again, by imposing a compulsory license on copyright owners. *See* 17 U.S.C. § 111 (2000).

The Court in *Sony* also noted that Congress might well "take a fresh look at this new technology." 464 U.S. at 456. Had Congress been dissatisfied with this safe harbor for technologies with substantial non-infringing uses, it would have amended the copyright statute to change *Sony*. Its refusal to do so demonstrates its acceptance of the *Sony* safe harbor rule.[42]

[42] *See* 144 Cong. Rec. S11,887-88 (daily ed. Oct. 8, 1998) (statement of Sen. Ashcroft) ("It thus should be about as clear as can be to a judge or jury that, unless otherwise specified, nothing in this legislation should be interpreted to limit manufacturers of legitimate products with substantial noninfringing uses – such as VCRs and personal computers – in making fundamental design decisions or revisions. . . ."); 144 Cong. Rec. E2137 (extension of remarks Oct. 13. 1998) (statement of Rep. Bliley) (noting that Administration's proposed rules would foreclose some fair uses of copyrighted works, "effectively overruling the

(Continued on following page)

Since *Sony*, when Congress has felt the need to adjust secondary liability it has done so. On two occasions, Congress has been persuaded to regulate technologies more strictly than *Sony* requires, but it did so narrowly, leaving the *Sony* safe harbor intact for all other technologies. In the late 1980's and early 1990's, the recording industry sought legislative relief against the developers of digital audio recording ("DAR") technologies used primarily to make "library" copies of copyrighted sound recordings.[43] The recording industry sought a broad legislative mandate to require technical protection measures to be built in to a wide range of technologies capable of recording digital works.[44] Instead, the 1992 Audio Home Recording Act ("AHRA") imposed a narrow technology mandate on defined DAR devices and left the *Sony* safe harbor intact as to all other technologies.[45] AHRA protected the public's interests by ensuring that DAR devices could be used to make personal copies of digital music and by immunizing noncommercial copying of sound recordings,[46] while providing for a compulsory license fee on DAR devices.[47]

A few years later, the Clinton Administration's "White Paper"[48] on the challenges of digital technologies facing copyright law recommended regulation of technologies

Supreme Court's landmark decision in [*Sony*]. In the view of our Committee, there was no need to create such risks. . . .").

[43] *See* Christine C. Carlisle, *The Audio Home Recording Act of 1992*, 1 J. Intell. Prop. L. 335, 336 (1994).

[44] Copyright Issues Presented by Digital Audio Tape, H.R. 1384, 100th Cong., 1st Sess. (1987); A Bill to Implement a Serial Copy Management System for Digital Audio Tape, H.R. 4096, 101st Cong., 2d Sess. (1990); Audio Home Recording Act of 1991, H.R. 3204, 102d Cong. 1st Sess. (1991).

[45] 17 U.S.C. § 1002 (2000).

[46] 17 U.S.C. § 1008 (2000).

[47] 17 U.S.C. §§ 1003, 1004 (2000).

[48] *See* Report of Working Group on Intellectual Property Rights of Information Infrastructure Task Force, Intellectual Property Rights and the National Information Infrastructure, Appendix (Sept. 1995) at 110-14 [hereinafter "White Paper"].

whose primary purpose or effect was to circumvent technical protection measures that copyright owners were using to protect digital works.[49] In 1998, Congress enacted a regulation of anti-circumvention technologies that was more narrowly drawn than the White Paper's proposal.[50] In response to concerns expressed by computer industry associations and public interest groups, Congress adopted several exceptions to these rules and ordered periodic rulemaking to consider other exceptions.[51] It specified that information technology developers were not required to design their products to respond to technical protection measures used by copyright owners to protect their works.[52] The *Sony* safe harbor was once again preserved for all other technologies.[53]

C. Congress Is Now Evaluating Various Ways To Address The Peer-to-Peer File-Sharing Phenomenon.

Congress has held no fewer than eight hearings on the peer-to-peer file-sharing phenomenon since Petitioners brought suit against Grokster. In the process, it has heard from many witnesses about the extent of unauthorized file sharing and the implications of P2P for the entertainment industry, including testimony from critics of that industry as well as technology developers, academics, and others about the many socially beneficial current and predicted uses of P2P technologies.

Even in its infancy, P2P technology has spawned many unique, non-infringing innovations beyond sharing of media files that cannot easily be replicated with other

[49] *Id.* at 230-34.

[50] 17 U.S.C. § 1201 (2000).

[51] 17 U.S.C. §§ 1201(f)-(j), (a)(1)(B)-(C) (2000).

[52] 17 U.S.C. § 1201(c)(3) (2000).

[53] 17 U.S.C. § 1201(c)(2) (2000) ("Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright infringement in connection with any technology . . . ").

technologies. The distributed and redundant network at the heart of P2P systems provides an extremely reliable system for storing and distributing information. It ensures content availability in the face of sabotage (e.g., by a "denial of service" attack), equipment failure, and unanticipated and overwhelming popularity.[54] P2P is now at the center of many legitimate enterprises having nothing to do with copyrighted media, such as businesses offering services like Voice Over Internet Protocol ("VOIP").

More fundamentally, P2P technology – like the internet itself – is a generic platform technology that enables many other uses and applications. Unlike the VCR in *Sony*, P2P is infrastructural in that it generates value by being used as an input into a wide range of productive processes, the outputs of which are often public and non-market goods that generate positive externalities which benefit society.[55] P2P is also "generative" in the sense that it has a great capacity to produce unanticipated change driven by broad, varied audiences based on fundamental characteristics such as its ability to make a wide range of tasks easier, its adaptability to a range of different tasks, its ease of mastery by both tinkerers and consumers, and its accessibility and ease of distribution.[56] Any secondary liability standard that inhibits development or distribution of generic technologies with these characteristics will necessarily inhibit not just that technology, but many of the "downstream" uses that the technology enables.

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[54] *See In Praise of P2P*, The Economist, Dec. 2, 2004; Qiming Chen et al., Hewlett Packard, *Peer-to-Peer Collaborative Internet Business Servers*, Technical Report HPL-2001-14 (2001) *available at* http://www.hpl.hp.com/techreports/2001/HPL-2001-14.pdf (last visited Feb. 22, 2005).

[55] *See* Brett M. Frischmann, *An Economic Theory of Infrastructure and Commons Management*, forthcoming 89 Minn. L. Rev. (April 2005).

[56] *See* Jonathan Zittrain, *The Future of the Internet – And How To Save It at* 8-9, *available at* http://cyber.law.harvard.edu/zittrain/generative.pdf (last visited Feb. 24, 2005).

Congress has seen that no simple "quick fix" will resolve the challenges that the internet in general, and peer-to-peer file-sharing technologies in particular, have posed. Many different proposals for reform have been offered,[57] but Congress has thus far been unable to reach consensus on the appropriate legislative approach to regulating P2P technologies. It is clear, however, that Congress is educating itself regarding the various non-infringing uses P2P allows and the broad set of interests, issues and parties involved in the P2P debate.

We respectfully suggest that this Court not cut short the Congressional conversation about how best to address the challenges posed by P2P technologies.

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[57] Scholars have also offered several alternative solutions that would compensate rightsholders for P2P distribution of their works. *See* Jessica D. Litman, *Sharing and Stealing*, 27 Hastings Comm. & Ent. L.J. 1 (2004) (proposing opt-out P2P infrastructure funded by a blanket levy); William W. Fisher III, *Promises to Keep: Technology, Law and the Future of Entertainment* 199-258 (2004) (proposing tax on digital devices and internet services that would be used to compensate artists for lesser online copyright protection); Daniel J. Gervais, *Copyright, Money and the Internet* (March 3, 2004), *available at* http://www.commonlaw.uottawa.ca/faculty/prof/dgervais/CopyrightMoneyAndTheInternet.pdf (suggesting a collective licensing solution); Neil W. Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 Harv. J. Law & Tech. 1 (2003) (proposing a noncommercial use levy).

CONCLUSION

The judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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